

## **ABSTRACT**

*This study aims at investigating and examining the impacts of ownership structure (managerial ownership and institutional investor) on debt policy in term of debt ratio by employing corporate governance principles (transparency, accountability, responsibility, independency, and fairness) as intervening variables as it is stated in the agency theory.*

*The population of the study is 442 companies, listed in Indonesia Stock Exchange (BEI) on 31 December 2010. The samples are companies' financial statements issued by 31 December 2009 and 2010. In choosing the samples, purposive sampling technique was employed. Then, 149 companies were selected. Moreover, to analyze the data, descriptive and inferential statistics (path analysis) were used.*

*The result of study shows that managerial ownership has positive effect on transparency and accountability, but it does not impact on responsibility, independency and fairness. Moreover, institutional investor positively affects transparency, responsibility, independency and fairness, but it does not affect accountability. Transparency and responsibility positively impact on debt ratio. However, accountability, independency and fairness do not affect debt policy. The finding also shows that managerial ownership does not have direct effect on debt ratio, but it has positive indirect effect on debt ratio through transparency. Likewise, institutional investor does not have direct effect on debt ratio, but it has positive indirect effect on debt ratio through transparency and responsibility. Then, transparency has been proven as an intervening variable which exists between variables of managerial ownership as well as institutional investor variables and debt ratio. Meanwhile, the study found that accountability, responsibility, independency, and fairness are not intervening variables which exist between variables of institutional investor and debt ratio.*

**Kata Kunci:** *debt ratio, managerial ownership, institutional investor, corporate governance, transparency, accountability, responsibility, independency, fairness.*